limited only by our own imagination and ability. Each year, 700,000 men, women and children follow the dream of entrepreneurship.

The vast majority of our businesses are very small. Over 50 percent of all businesses are home based. Most get started without a single employee. But with hard work, that changes. Ultimately, half the people who work in this country now work for small businesses.

Small businesses are flexible and more likely to adapt to changes in the economy. They have to be nimble to survive. So if there is one thing we have learned, it is that helping these small businesses start up and grow provides a significant benefit for our local and national economy.

One of the best methods devised to encourage start-up small businesses is the small microcredit loan. The SBA Microloan Program makes funds available to nonprofit community-based lenders. In turn, these lenders make small loans to eligible borrowers who are often individual fledgling entrepreneurs that live in the same community where they work.

The Microloan Amendments and Modernization Act introduced by my colleague, the ranking member on our committee, Mr. CHABOT, improves an already strong program. It will increase the number of lenders and borrowers that will be able to get involved in creating new businesses and help put people in their communities to work. It also encourages credit reporting so that the excellent repayment history of its participants is recorded to their benefit.

Finally, the bill takes steps to strengthen the PRIME program, a key initiative that provides counseling to low-income entrepreneurs.

Since its inception in 1992, the Microloan Program has been reaching many that otherwise would not be served by the private sector or even the SBA's traditional loan programs. The type of people that use the Microloan Program are borrowers that may be unable to get a loan from traditional sources due to no credit rating or a lack of business experience.

By filling this void, microloans have become an important source of assistance for groups who traditionally have had more difficulty accessing capital. These loans fulfill the goal of widely distributing resources, as roughly one third are made in rural areas. It is for these reasons that the program complements the successes of President Clinton's New Market Initiative. Microloans are a low-cost effective way to move people off welfare and turn them into business owners and even employers. There have been only two defaults to the government since the program's inception, and tens of thousands of jobs retained and created. This is a great bargain for the taxpayers.

With that, I urge the House to vote for the Microloan Program and this legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. CHABOT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in support of H.R. 3020, the Microloan Amendments and Modernization Act.

The chairwoman and I have worked together on a cooperative basis to bring this technical but important piece of legislation to the floor. H.R. 3020 represents the first substantive change in the Microloan Program in more than 6 years.

According to Dr. Mohammad Yunus, the 2006 Nobel Laureate in Peace and founder of the Grameen Bank, "microcredit views each person as a potential entrepreneur and turn on the tiny economic engines of a rejected portion of society."

Unlike Bangladesh or other countries that have emulated the Grameen Bank, microcredit in the United States is not aimed at a rejected portion of society, but rather at those individuals who do not have access to commercial financial institutions and the typical resources to manage those funds. Despite the different target audiences, microlending in the United States represents a variation of the concept developed by Dr. Yunus.

The Small Business Administration created a pilot program based on the success of the Grameen Bank, and Congress created a permanent authority for the program back in 1992. SBA does not provide microcredit directly to entrepreneurs; instead, the SBA provides below market-rate loans to nonprofit intermediaries. These institutions then make loans to entrepreneurs.

As with other SBA financing programs, the SBA does not provide all the funds for financing. Intermediaries must contribute 15 percent of the value of loans in non-Federal funds. But the key to the success of microlending is not the loans; rather, it is the education and counseling that the intermediaries provide to their borrowers.

With this knowledge, these entrepreneurs are able to manage their financial resources and ensure repayment of loans. This success is demonstrated by the very low number of defaults by borrowers and cost-effective means by which it produces nearly 10,000 jobs a year in areas, including parts of my district in Cincinnati, that need economic revitalization.

Despite its success, the Microloan Program needs to be revised in light of changes to the economy during the past 6 years and, in some cases, to update matters that have not been altered since the program's inception more than 15 years ago.

Microlenders exist, mainly because normal commercial lending institutions did not provide access to credit for those who are highly credit risky. One way to improve that is to have borrowers' histories passed along to credit bureaus. I think having the SBA work with the intermediaries to accomplish the delivery of credit histories will benefit borrowers.

H.R. 3020 also enables the intermediaries to determine the length of credit that will be made available to the borrowers. Given the expertise of the intermediaries, it makes abundant sense for the determinations on the length of loans to rest with the intermediaries and borrowers.

I want to emphasize that this change has no impact on the loan obligations of the intermediaries to the SBA. The change involves no risk to the Federal Treasury.

H.R. 3020 also raises the level of the average loan size in an intermediary's portfolio from $7,500 to $10,000. This level has not been changed since 1992, and an adjustment is appropriate to take account of inflation in the intervening 15 years.

The SBA rightly focuses on the number of small businesses that receive help from its entrepreneurial training partners. However, ensuring that only those individuals with the right aptitude start small businesses is as important as the provision of the technical assistance to businesses that have been in existence for years.

The Microloan Amendments and Modernization Act recognizes the importance of this training and increases the amount of pre-loan training that intermediaries may provide. H.R. 3020 also provides for an increase in the amount of technical assistance training that intermediaries can contract for from other sources.

As the committee heard in testimony from Professor Lisa Servon, this will enable intermediaries to focus on those services that they are best able to perform. Finally, the committee heard from two different witnesses that the cap on interest rates should be removed.

We also heard that a rise in interest rates will enable intermediaries to recoup more of their costs, thereby reducing the amount of funds that they must raise from other sources. I would ask that the chairwoman work with us as the bill moves through legislative process to ensure that intermediaries have maximum flexibility to operate their loan programs with the elimination of the interest rate cap.

I urge my colleagues to support this legislation.

Mr. Speaker, I yield back the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I want to thank the ranking member for introducing this important piece of legislation, and I also want to thank the staff that worked on this legislation, from the minority staff, Barbara Pineles; from the majority staff, Ross Orban, Michael Day, Adam Minehardt and Andy Jimenez.

I strongly urge my colleagues to support the Microloan Program.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentlewoman from New York (Ms. VELÁZQUEZ) that the House suspend the